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TRIPLE-A FOR CANADA?

by
THOMAS WOOD

"Tom" Wood is a farmer near Readlyn, a small town in southern Saskatchewan. I have never met him but have greatly enjoyed and profited from a correspondence of several years begun almost by accident.

He represents a fine type of the farmer who thinks as he works. His study of the "Triple-A" and his suggestions for an "Agricultural Adjustment Administration" for Canada seem to me worthy of serious study.

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"A SINGLE farmer caring for his soil, a farmer voluntarily planting within his acreage allotment, a parity payment, a sealed corn crib—these things by themselves seem far removed from national movements. And on an individual basis they are. But multiply these individual cases by six million and you have a national conservation program, a national plan for stability in our food grain and livestock industries, a national effort to give the farmer an even break in income, and a national effort to protect the farmer against the world-wide economic forces let loose by the war and which inevitably will plague us after the war is ended. In all of this you have a national farm program—in my opinion, the best farm program ever devised in any country—and a great vital force at work for the good of us all."

"The combination of circumstances in this country in 1932 and 1933 crystallized national action for agriculture. We had action in 1933 because action was imperative. And out of the movement that began in 1933 there has grown the present national farm program."

The speaker was R. M. Evans, Administrator of the Agricultural Adjustment Administration, and the occasion the Fourth Annual Farm Institute at Des Moines, February 23, 1940.

In a radio broadcast delivered in connection with the Manitoba Cooperative Conference on July 14th, 1933, F. W. Ransom outlined the then proposed activities and said in conclusion: "The United States is seeking to set its own house in order. They at least have a plan, now a law of the land, and being put into effect. What about Canada? Today wheat on the other side is, roughly, 20 cents per bushel higher than ours, and if together with this they have an additional advantage of another 20 cents per bushel arising out of the processing tax, making a total of say 35 cents to 40 cents per bushel more than we Canadians get, what will we have to say? What will we do?"

That was shortly after the Agricultural Adjustment Act came into force as applied to wheat. After a lapse of more than eight years we might well put to ourselves the question, "What have we done?"

SAME DIFFICULTY, SAME ROAD OUT

It may be claimed that the application of the United States program to our Canadian conditions is an idea so impracticable as to be simply fantastic. A good deal of evidence could readily be put forward in support of such a contention, yet the fact remains that the general direction taken by our neighbors in their progressive activity is identical with the road we must follow if we are to avoid the disastrous consequences to the social life of our prairie people which are looming ahead as the result of our continued failure to act.

In the present study an attempt is made to throw such light upon the nature of our problem as can be gleaned from the experience of those who have seriously taken issue with a situation which presented a good many similarities to, though perhaps just as many differences from, our own.

A NATIONAL EMERGENCY

The Agricultural Adjustment Act of May 12, 1933, declares the existence of an emergency "in part the consequence of a severe and increasing disparity between the prices of agricultural and other commodities." It declares the policy of Congress "to establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will re-establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. The base period for all agricultural commodities except tobacco shall be the pre-war period August, 1909—July, 1914." Responsibility for developing a plan for each commodity

is placed with the Secretary of Agriculture, and provision is made for the levying of a processing tax where necessary.

Some idea of the nature of the emergency is indicated by the steady fall in value of the wheat crop in the United States. The average for the years 1921-28 was \$918,000,000, while the figures for 1929-32 were \$853,000,000, \$595,000,000, \$368,000,000, \$289,000,000. As Henry Wallace has described it, "an engulfing wave of mortgage foreclosures was dispossessing farmers of their homes and their land. . . . Farmers were driven to mine the fertility of their soil." And M. L. Wilson, formerly Under-Secretary of Agriculture and now Director of the Extension Service, said: "The collapse of farm prices under the weight of unsold surpluses which normally went abroad not only ruined thousands of farmers and menaced the economic independence of the rest, but helped to undermine the stability of the whole of American business. . . . Everyone felt that something new must be done, and all were willing to accept and co-operate in some kind of new program."

FLEXIBLE VERSUS INFLEXIBLE PRICES

Again, to quote Henry Wallace: "High prices stimulate the production of both industry and agriculture, but generally speaking, the response of agriculture to the pressure of low prices is basically unlike that of industry. Low prices for the products of industry usually cause a large and prompt decrease in industrial production, whereas low farm prices tend to drive agriculture into an increased production of cash crops and an abandonment of soil conserving practices. This greater inherent tendency of agriculture to increase production is one of the fundamental causes of farm distress and the lack of balance between industry and agriculture. The adjustment of agricultural production to offset this tendency is not a scarcity program. Nothing could be farther from the truth than to say that farmers want, or propose to bring about, a scarcity of farm products. They want balanced production, not under-production." (Statement before House Committee on Agriculture, February 15, 1940.)

During the years 1929 and 1933 inclusive a fall in agricultural prices of 52% was accompanied by a fall in production of only 3%. If we take the price fall first, followed by the accompanying production fall, we have the ratio 52-3. When we compare this with what happened in the case of three typical industries—motor vehicles, steel, cement—we find that the figures corresponding to agriculture's 52-3 were 14-65, 25-58, 10-63.

It is hardly possible to place too much stress upon this relative inability on the part of farmers to bring a measure of control into the supply end of their business; for in it lies the kernel of the whole problem.

THE INTERNATIONAL WHEAT AGREEMENT

The International Wheat Agreement was signed in London on August 25, 1933, by most of the wheat-exporting and wheat-importing countries. In this connection we can perhaps not do better than to use the words of Sherman Johnson writing for the Brookings Institution—Pamphlet No. 14:

"Its objective was to raise wheat prices through reduction of supplies and increase of consumption. The measures agreed upon included, on the part of the exporting countries, temporary limitations of wheat exports, and reduction of output; and on the part of importing countries, gradual removal of import restrictions and adoption of measures designed to promote increased consumption of wheat.

"In this country it was recognized that world prices could not be effectually dealt with by reducing production in the United States alone: since other countries might then increase their production to fill the gap left open by our retirement from the export field. The United States representatives at the 1933 wheat conference were therefore active in support of measures which would limit shipments from exporting countries temporarily and which would eventually relax restrictions on imports and make for increased wheat consumption.

"The agreement provided that exporting countries take steps to control their production and/or exports to make the assigned quotas effective. Canada and the United States pledged a reduction of acreage or production, while Argentina and Australia agreed to limit exports without increasing stocks in storage.

"Importing countries agreed not to encourage further increases in domestic acreage and production; and to take steps to increase wheat

consumption, partly by removing measures tending to lower the quality of breadstuffs. They also agreed to a gradual removal of import restrictions, beginning when British imported parcels had for 16 weeks been at or above 63.02 gold cents per bushel."

It is more than doubtful whether the representatives of wheat exporting countries other than the United States had any more than a hazy notion of the far reaching changes that might be involved in their part of the agreement. From the costly stabilization efforts of the Federal Farm Board, Americans had become keenly aware of the necessity of adjusting production to reasonable possibilities of disposal.

In some respects the outcome of the London conference fell very far short of its high promise. Although it established, clearly and beyond further cavil, the desirability of eliminating the menace of distressed wheat, there were major exporting countries where no facilities existed for tackling the problem at the only point where it could be effectively handled; namely, at its source in the field of production. The possibility was demonstrated, however, of co-operation between the nations even where it might appear on the surface as if their interests were directly opposed.

Objection may be raised that all this is past history, but as yet, there is no sound reason to doubt that, perhaps earlier than we would guess, the same problem can return upon us with redoubled force.

THE WORLD MARKET

A few words would not here be out of place about the world market, that paragon of equity so highly touted by a group of self-interested and loquacious "friends" of the farmer.

For the crop year of 1924-25 the world wheat supply was 3,866 million bushels, and was valued at \$6,997 million at Liverpool prices. In the crop year 1931-32 the farmers provided 4,993 million bushels of wheat and the "value" of this big offering in Liverpool was \$2,946 million. Fifty-eight per cent less money for twenty-nine per cent more wheat! Even more remarkable is the perfect consistency with which the same principle has operated throughout the past two decades.

With the onset of policies of extreme economic nationalism, moreover, and the concentration of most of the wheat buying into relatively few channels, what used to be known as the world market has actually ceased to exist. The ghost of a market that remains is little more than a device to gauge the weakness of the farmers' bargaining position.

The facts drive us inescapably to the acceptance of their logical conclusion. That which twenty years ago was a marketing problem, and rightly led us into providing ourselves with co-operative marketing facilities—incidentally, the finest in the world—has changed into a much wider problem in which production control, soil conservation, and the farmer's debt position clearly must play the dominant role.

A THREE-YEAR PROGRAM

The application of the New Deal to Agriculture has been pressed forward with all the driving force that is characteristic of the American people. Yet there is no evidence of any excessive haste in its preparation. Looking back over what has already been accomplished, it is plain to be seen that the builders recognized that a foundation to carry and sustain the ambitious projects later to be developed must be sunk deeply into the every-day life and the understanding of America's farmers and supported by the utmost the farmers could achieve in mutual good will; that co-operation, in short, must be the keynote from beginning to end. If at first a good deal of individualist farmer resistance had to be literally bought off—assuming that adjustment payments can be so interpreted—then such resistance must be permanently replaced by an entirely different sentiment: by a clearly defined consciousness of the need for intelligent effort in harmonizing the individual interests and the group interests of the people on the land. Thus the organizational campaign was educational, with little or no reliance upon emotional appeal. It was clearly recognized that the real test would come when the question arose whether balance could be maintained after it had been reached.

Action went forward rapidly in 1933. The act became law May 12. On June 20, following a conference of growers, handlers and processors at Washington, the Secretary of Agriculture announced that adjustment pay-

ments would be made on wheat. September 25 was set as the closing date for the signing of applications for contracts, and the first adjustment cheques were mailed October 31. Within this short time an intensive educational and sign-up campaign, in which 78 per cent of the wheat acreage was brought under contract, was directed largely through the Federal and State Extension Services. Thus, between June 20 and September 25 all the details had to be worked out and presented to the growers.

THE FIRST TRIPLE-A PROGRAM

A three-year program provided for adjustment payments to participants on their 1933, 1934 and 1935 crops in return for reduced plantings for 1934 and 1935. Essential features of the program are given in Wheat Circular No. 1, Commodity Information Series as: (1) A return on that part of the crop needed for domestic human consumption which will give that portion the exchange value it had in the pre-war period 1909-14. This portion has been found to be 54 per cent of the average production during the base period 1928-32; (2) Agreement of co-operating growers to regulate plantings within limits determined by the Secretary of Agriculture. These limits are designed to provide for domestic needs, adequate reserves, and any likely export demands; (3) Provision that each co-operating grower should plant at least 54 per cent of his average past acreage; this amount being deemed necessary, with average yields, to meet domestic food requirements; (4) Financing of the program through a processing tax on the wheat milled for domestic consumption; (5) Voluntary acceptance of the plan by farmers; (6) Benefit payments made to co-operating farmers independent of the market proceeds from the sale of their crop, thus providing partial crop-income insurance; (7) Decentralized administration through county wheat associations; (8) Co-ordination of the domestic program so far as possible with the International Wheat Agreement.

The "partial crop-income insurance" feature is exemplified in the case of South Dakota where farmers had only about 600,000 bushels of wheat to sell for cash from the 1933 crop, the balance being necessary for seed and feed. The cash income from the sale of this small amount of wheat was only \$436,000. The 1933 wheat benefit payments in South Dakota, however, amounted to nearly \$5,000,000. This was about 11 times as much as South Dakota farmers got from the sale of their wheat crop.

The then Under-Secretary of Agriculture, Mr. M. L. Wilson, discussed the program at considerable length before the Annual Farm and Home Week, University of Illinois, on January 18, 1935. . . . In part, Mr. Wilson said: "It may take two or three years, or it may take ten years to perfect and develop the economic machinery and the social technique for maintaining a balanced agriculture if we are going to live in a world which keeps it from automatically adjusting itself. . . . We have a long way to go, in the development of understanding by the six million farmers, of both the national and the world-wide forces underlying attempts at adjustment in American agriculture. . . . It is difficult to visualize the magnitude and the potentialities and the organized force of this great co-operative machine. The whole theory of adjustment administration has been one of co-operative endeavor. Indeed, as I see it, we have developed a new form of agricultural co-operation in production control in partnership with the federal government, which is just as truly a co-operative enterprise as is co-operative marketing, co-operative farm finance, or any other form of co-operative activity. . . . If we are going to have a society in which one-half or three-quarters operates on a basis of administrative or more or less fixed prices which are not regulated on a basis of free competition, then agriculture is going to be forced to develop mechanisms whereby it can better function in a society of administered prices. . . . These associations have operated remarkably well. They should continue to be regarded as semi-public institutions, organized for the sole and only purpose of being the connecting link between the individual producer and the Adjustment Administration. They have no other function and in no way duplicate the functions of co-operative business organizations of farmers on the one hand, or the general farm organizations on the other. . . . I think I can see the kind of agricultural democracy developing in which the fundamental decisions are made through referendums by the producers themselves. I feel that we are in the midst of a period of opportunity for developing a practical, workable mechanism which promises to help keep a balance in agriculture as it relates to the rest of the economic system and the world economy. Certainly I hope that all of us will maintain an experimental attitude of mind, and that

we will realize that no one individual or group of individuals is wise enough to supply all the answers for this complicated society."

A statement on the "Domestic Allotment Plan" by the same authority concluded as follows: "If the world is still in economic turmoil after this three-year experimental period is over, the plan can be adapted, in the light of this experience, for a longer period. In the meantime, farmers will be keeping the essential records, so that putting the plan to work in the future will be a fairly simple matter."

THE NEW DEAL AND THE FARMER

In putting the New Deal policy into effect the same general principles have been applied in respect to all of agriculture's basic products. Here we can find much food for thought in the following observation of Mr. Wallace: "The history of the efforts of most groups to improve their circumstances through governmental aid," he said, "has emphatically demonstrated that for a variety of reasons the appropriation route, as compared with increased prices, is the hard and disappointing way. Long ago the manufacturing industries as a whole were compelled to recognize and act on this phenomenon. When in search of government aid, they usually pass over the possibilities of obtaining appropriations of government funds, and confine their requests to various devices, such as tariffs and quotas, for increasing their selling prices. This practical situation determines the result to such a great extent that it is impossible to believe that farmers are going to have a fair and equitable share in the national income so long as they are handicapped, as compared to industry, by being obliged to receive increases in their income primarily through appropriations rather than through improved prices. This in no way, however, lessens the importance of appropriations in the absence of other means of increasing farm income." (Statement before House Committee on Agriculture, February 15, 1940).

Perhaps it should be added that the effect of the devices to which Mr. Wallace refers would invariably be short lived if those who sought them actually practice "free and open competition."

A fair-sized library could be compiled from works dealing with the various commodity programs as evolved and in view. Ever-normal granary, commodity loans, federal all-risk crop insurance, the food stamp plan, the many and diverse activities of the AAA, Farm Credit Administration, Federal Crop Insurance Corporation, and the Federal Surplus Commodities Corporation have all been set up on the broad base laid down in the earlier experimental programs which concentrated on the co-operative control of supply.

It is not difficult to understand why all these projects would collapse with the return of the cycle of over-production and burdensome surpluses if the original co-operative foundation were to fall away or to be seriously undermined.

THE PROGRAM UP TO DATE

In view of the changes in the Triple-A program since January, 1936, the date on which the Supreme Court declared unconstitutional the processing tax and acreage control provisions of the original Act, some of the highlights in later developments under the Soil Conservation Act of 1936 and the Agricultural Adjustment Act of 1938 should be considered.

Soil Conservation: In a century and a half erosion has ruined one-seventh of fertile land in the United States. It has exacted a cost of nearly 4 billion dollars annually in direct and indirect loss. It may take nature a thousand years to build up an inch of fertile topsoil, but it can be ruined by destructive farming in a single season. The national farm program emphasizes soil conservation. Surplus crops that are hard on the soil have been placed under acreage restrictions. Farmers are encouraged to plant soil-conserving crops and to adopt positive soil-saving and soil-building practices. They are compensated in part for their expense and their efforts in this work by conservation payments. In the long run, from the national standpoint, this soil conservation work alone probably more than pays the cost of the entire farm program.

The Ever-Normal Granary: The Ever-Normal Granary was set up to give both consumers and farmers the benefit of relatively stable supplies at reasonable prices. Through it farmers are enabled to carry over crops

from big crop years into small crop years, so that severe gluts and extreme shortages on the market may be prevented as far as is humanly possible. In years of surplus some of the crops are stored; in lean years or when demand is unusually heavy the stored crops are available for release. This procedure can keep prices from climbing as high or falling as low as they otherwise would in small or big crop years. Feed grains stored in the Ever-Normal Granary have proved very useful for conversion into the dairy, poultry and livestock products needed at present for Lend-Lease shipment and for supplying a greater demand in the United States.

Commodity Loans: help make the Ever-Normal Granary effective. They permit crops to be stored and held off the market at harvest time when prices normally sag to low levels. The farmer, in other words, can immediately obtain the amount of the loan on that portion of the crop which he places in storage under loan. Later he may redeem his loan and sell his product on the market; or if he prefers, he may forfeit the stored crop and consider his loan obligation cancelled. In 1941, legislation raised the loan rate to 85 per cent of parity for wheat, corn, cotton, rice, and tobacco.

Crop Insurance: is utilized in the case of wheat, and will be utilized for cotton in 1942. Under the insurance plan a farmer pays a premium either in wheat or in cash, and in case of crop failure or damage he receives an indemnity in wheat or in cash. Thus, he is able to count on receiving at least a substantial portion of his crop every year.

Marketing Quotas: are necessary to insure the success of the Ever-Normal Granary when supplies outstrip demand by a wide margin. When supplies of corn, wheat, cotton, rice, peanuts, or tobacco exceed certain limits as specified by law, marketing quotas backed by penalties for sales in excess of the quotas, can be imposed, **subject to the approval of two-thirds of the producers voting in a referendum.** In other words, the producers themselves have the last word as to whether marketing quotas shall be or shall not be used. After approval by overwhelming majorities, quotas are now in effect for cotton, tobacco, wheat, and peanuts.

The Farmer Committees: of the AAA, like the referenda on quotas, show the democratic nature of the farm program. There are about 136,000 county and community committeemen and their alternates, representing the six million farmers who are co-operating in the AAA Program. The committeemen are elected by the farmers, and it is these committeemen who in the last analysis administer the program. Every year AAA committeemen come to Washington from all over the country to make reports and recommendations on the program. They are not dictated to or dominated. They express their own views frankly and often forcefully. The various programs from 1933 to the present have been planned by farmers. In Washington, policy-making officials of AAA are farmers. In a real sense the AAA is the farmers' own program.

The Farm Defense Program: has opened up new avenues for agriculture. Previously, emphasis had been largely on **adjustment downward** in such surplus crops as cotton, wheat, corn, rice, and tobacco. Today, the program is still holding production of these commodities in check, but it is stressing the tremendous necessity of **adjusting upward** the production of milk, eggs, pork, and other products. This year, agriculture undertook a program which there is good reason to believe represents the biggest advance yet made. Deliberately and carefully agriculture is "planning for abundance." No other large industry has ever carried out such a plan. Goals have been established covering 1942 needs for every farm product. A canvass of every farm and every farmer in the entire Nation is being made, and its completion is expected before the end of this year. Farmers throughout the country are signing up for 1942 goals, set by themselves. The farmer AAA committeemen are conducting this nation-wide canvass under the supervision of Defense Boards representing the U.S. Department of Agriculture in every state and county. Every effort is being made to be sure that the country will produce the right amounts of the right commodities.

Farm prices have been, and are expected to continue, favorable to encourage the output required. As a safeguard against sudden declines, however, the Department of Agriculture has announced that the prices of commodities on which expansion has been requested will be supported at least at 85 per cent of parity. An official proclamation has applied such price-support through December 31, 1942, to cheese, evaporated milk, dry skim milk, pork, chickens and eggs. This policy will be extended or expanded if and when it is found necessary to do so.

A PROGRESS REPORT

Some idea of the progress that is in process of achievement can be gleaned from a statement by the Secretary of Agriculture before the House Committee on Agriculture on February 15, 1940, from which the following passages are taken.

"Seven years ago, in the face of utter distress and despair, this Committee displayed the courage and practical foresight to master chaos and lay the foundations for the splendid farm program that we have today."

"Since 1932 the annual cash income of farmers has been increased more than 80 per cent. . . . Soil conservation and rebuilding have replaced soil erosion and mining. . . . The heavy tolls of farm tenancy on men and land are being checked. Farm surpluses have been removed to the benefit of needy people in the cities. Farm mortgages have been reduced more than \$2,000,000,000. . . . Rural merchants have had their business restored. Industrial activity has responded to the recovery in agricultural purchasing power. The sales of farm equipment have been more than doubled."

"Not least among the basic gains are the great increases in general knowledge concerning farm problems, and in the understanding of the interdependence of agricultural and industrial welfare, that have replaced the widespread confusion of seven years ago. . . . Farmers everywhere attend their own local, county, State and national meetings, at which sound and practical solutions must be developed for complex problems and fitted into the total and ever-changing patterns of agriculture, the nation, and the world."

"It is most gratifying that we begin this eighth year of work with such a rich background of progress and solid achievement based on a long record of effective and co-operative action."

Despite these achievements, as Mr. Wallace pointed out, farmers still received much less than parity income. For the seven years preceding 1940, farm payments totalled \$3,000,000,000; but farm income was \$12,000,000,000 under parity. For every dollar in payments that farmers received "they contributed to consumers free—comparatively speaking—four dollars worth of commodities." Even in 1940 a farm population comprising 23 per cent of the total population of the Nation, received as its net income from agriculture only 7.2 per cent of the national income. Nevertheless, the farm program has provided a means for increasing income, for adjusting production to demand, and for conserving the soil.

AND CANADA?

Why are we nearly ten years behind the United States in this matter? It would be stupid indeed if we were gratuitously to assume, as the obvious reason, an inferiority of ability, resourcefulness, and good will. Where then, is the cause to be found? What can be done about it? And by whom?

It will be observed that in the case of the United States the initiative was taken by the Federal Government. This had the very substantial advantage that the attack is made simultaneously over the whole front of the nation's agricultural industry. Is it feasible then, to propose that the same method of procedure be advocated for Canada?

We cannot take space here to discuss this question; but reference may at least be made to a few of the obstacles. There is the intensely difficult and complicated question of the Constitution with its many ambiguities, uncertainties and delays. Again there is the peculiar distribution of the Canadian economy with its parallel impact upon the distribution of political power, and undoubtedly accentuated by the massive natural barriers which physically isolate the social life and structure of the prairie west. To these must be added the presently existing condition that we are at war.

When the whole matter is carefully weighed we can hardly escape the conclusion that if we are to have a national farm program the initiative in our case will have to proceed from the farmers themselves; which means, of course, from within the Farm Co-operative Movement. Furthermore, it is a fairly safe guess that it must begin where the problem is most acute, and where most of the farmers have become accustomed to thinking in terms of co-operative enterprise; that is to say, in the prairie west and in connection with wheat.